

complaint

Mr H complains that Provident Personal Credit Limited's loans to him were unaffordable and that it didn't properly check his credit history. He also complains that Provident unfairly extended the loans by allowing him to just pay interest.

background

Provident made eight loans to Mr H between August 2008 and February 2015 – the last of which remains active. Mr H complained to Provident about the loans earlier this year. But he wasn't satisfied with its response so complained to this service.

The adjudicator recommended that this complaint should be upheld. She said that Provident hadn't allowed Mr H to only pay interest on his loans and that loans were extended so that he could repay the debt over a longer period. But she wasn't satisfied that reasonable checks were undertaken before the lending was provided to him. And she didn't think it satisfactory for Provident to say that it didn't have the facilities to carry out credit checks. She concluded that a search of Mr H's credit history before the December 2012 loan would've shown five defaulted accounts. She recommended that Provident should refund all interest charged on the loans from the July 2010 loan onwards – and that the interest should be used to reduce the outstanding balance on his active loans (one of which has since been settled).

Provident has asked for this complaint to be considered by an ombudsman. It has responded in detail and has provided further information about the loans. Amongst other things, it says that it can't be said that overall Mr H wasn't able to repay the small amounts of credit that he was issued and that it made proportionate checks. It also refers to another complaint which has been decided in its favour.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Provident first lent to Mr H in August 2008 – so it was more than six years before he complained to this service about it. The loan was settled in March 2010 – seven months late. It then lent to Mr H in July 2010 and the loan was settled in December 2012. Provident says that the payments were sporadic, the agreement went over its term and the balance was only repaid by the issue of a new loan. But I'm not persuaded that there's enough evidence to show that it was irresponsible for Provident to have made either of those loans to Mr H or that they were unaffordable for him at the time that the loans were made.

But the issues with the July 2010 loan should've alerted Provident to concerns about Mr H's ability to meet his loan repayments. A credit check before it lent to Mr H in December 2012 would've shown that five defaults had been recorded against Mr H in 2011 and that the total amount defaulted was over £4,000. So in December 2012 I find that it was irresponsible for Provident to have lent to Mr H. He was unlikely to be able to afford the repayments, the loan was used in part to repay his existing loan and a credit check would probably have shown that it shouldn't lend to him.

The subsequent loans were all overlapping and I consider resulted – at least in part – from the irresponsible and unaffordable lending that was made in December 2012. So I find that

Provident should refund to Mr H all of the interest that he has paid on the loans since December 2012. He has an active loan with Provident and the interest refund should be used to reduce the amount that he owes, with any surplus being paid to him. I consider that to be fair and reasonable in the circumstances. This service considers each complaint on its individual merits – so the outcome of another complaint doesn't affect my decision on this complaint.

my final decision

For these reasons, my decision is that I uphold Mr H's complaint. In full and final settlement of it, I order Provident Personal Credit Limited to refund to Mr H all of the interest that he has paid on his loans from December 2012. The refund should be credited to his active loan, with any remaining balance paid to Mr H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 July 2016.

Jarrold Hastings
ombudsman